

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3574
ANSWERED ON:25.08.2006
REPORT OF RURAL CREDIT AND MICRO FINANCE
Kharventhan Shri Salarapatty Kuppusamy

Will the Minister of FINANCE be pleased to state:

- (a) whether the Expert Group headed by H.R. Khan has submitted its Report on Rural Credit and Micro Finance.
- (b) if so, its main recommendations thereof; and
- (c) the steps taken to implement its recommendations in toto?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a)&(b) : The Internal Group set up by the Reserve Bank of India under chairmanship of Shri H.R.Khan has submitted its report in July 2005. The major recommendations contained in the report are as under :

Linkages between banks and external entities may be established under two broad models;

(i) Business Facilitator Model wherein banks may use civil society organisations (CSOs) and others for undertaking non-financial service and

(ii) Business Correspondent Model wherein institutional agents/other external entities could support the banks for extending financial services.

A National Microfinance Information Bureau (NMIB) under the aegis of NABARD to gather information on Business Correspondents may be established.

Institutions like NABARD and Small Industrial Development Bank of India(SIDBI) may provide bulk lending support to start-up Micro Finance Institutions(MFIs) and funds of State/Central Development/Finance Corporations, if feasible may be channelised through NABARD to identified MFIs.

Rating of MFIs may be done. NABARD, SBI and major banks may consider promoting independent rating agencies by way of equity contributions.

(c) : Based on the Group's recommendations, and with the objective of ensuring greater financial inclusion and increasing the outreach of the banking sector, banks have been permitted, to use the services of Non-Government Organizations(NGOs) Self Help Groups(SHGs), MFIs and other civil society organisations as intermediaries in providing financial and banking services through the use of Business Facilitator and Correspondent models.